

STATE OF SOUTH CAROLINA

(Caption of Case)

In Re:

Amended Project Development Application of Duke
Energy Carolinas, LLC for Approval of Decision to
Incur Nuclear Generation Pre-Construction Costs

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET

NUMBER: 2011 - 20 - E

(Please type or print)

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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

- ☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously
- ☒ Other: Supplemental Direct Testimony of James E. Rogers

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)		
<input checked="" type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certificatio
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigator
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input checked="" type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest	
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit	
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report	

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2011-20-E

In the Matter of:)
)
Amended Project Development Application of)
Duke Energy Carolinas, LLC for Approval of)
Decision to Incur Nuclear Generation Pre-)
Construction Costs)
)

SUPPLEMENTAL DIRECT TESTIMONY
OF JAMES E. ROGERS
ON BEHALF OF DUKE ENERGY CAROLINAS, LLC

1 **Q. PLEASE STATE YOUR NAME, ADDRESS AND POSITION WITH DUKE**
2 **ENERGY CORPORATION.**

3 **A.** My name is James E. Rogers, and my business address is 526 South Church Street,
4 Charlotte, North Carolina. I am Chairman, President, and Chief Executive Officer
5 (“CEO”) of Duke Energy Corporation (“Duke Energy”). Duke Energy Carolinas, LLC
6 (“Duke Energy Carolinas” or the “Company”) is a subsidiary of Duke Energy.

7 **Q. HAVE YOU PREVIOUSLY FILED DIRECT TESTIMONY SUPPORTING THE**
8 **AMENDED APPLICATION IN THIS DOCKET?**

9 **A.** Yes.

10 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?**

11 **A.** The purpose of my supplemental testimony is to update the Public Service Commission
12 of South Carolina (“the Commission”) on the status of partnership opportunities for Duke
13 Energy Carolinas relating to the William States Lee Nuclear Station (“Lee Nuclear” or
14 “the Project”). On February 1, 2011, the Company entered into an option agreement
15 (“Agreement”) with JEA, a municipally-owned electrical utility serving the City of
16 Jacksonville, Florida, that grants JEA the option to purchase a portion of the Lee Nuclear
17 project at a future point in time. In exchange for the option, JEA has agreed to pay Duke
18 Energy Carolinas \$7.5 million. The execution of this Agreement is yet another step
19 forward in the development of the Project and provides further evidence of Duke Energy
20 Carolinas’ commitment to regional nuclear generation and our commitment to prudently
21 manage the risk profile of this important and necessary project for its customers.

1 **Q. PLEASE DESCRIBE THE OPTION AGREEMENT WITH JEA.**

2 **A.** Under the Agreement, Duke Energy Carolinas has granted JEA an option to purchase an
3 undivided ownership interest in, at JEA's discretion, at least five percent (5%) and no
4 more than twenty percent (20%) of the Project. JEA may exercise that option during a
5 specified period of time after Duke Energy Carolinas (1) negotiates and executes an
6 Engineering, Procurement and Construction ("EPC") Agreement; (2) negotiates and
7 executes the Ownership and Development Agreement; (3) negotiates and executes the
8 Operating and Maintenance Agreement; and (4) receives the Combined Operating and
9 Construction License ("COL") from the U.S. Nuclear Regulatory Commission ("NRC")
10 for the Project. At such time, Duke Energy Carolinas will notify JEA that it is moving
11 forward with the Project and plans to make all the necessary remaining regulatory filings
12 to support the construction of the Project. JEA will have ninety (90) days from receipt of
13 the above notice from the Company to exercise its option to participate in Lee Nuclear.
14 If JEA exercises its option, it will join in the Company's filing of the application for a
15 Certificate of Environmental Compatibility and Public Convenience and Necessity
16 ("CPCN") and Base Load Review Order ("BLRO") with the Commission.

17 **Q. IS JEA NOW AN EQUITY PARTNER IN THE LEE NUCLEAR PROJECT?**

18 **A.** No. JEA does not own any interest in the Project. Under the Agreement, JEA only holds
19 an option to participate in the Lee Nuclear project, which JEA may or may not choose to
20 exercise in its discretion at the appropriate time. Duke Energy Carolinas firmly believes
21 that this approach provides necessary flexibility for both parties and advances regional
22 participation in this important Project.

1 **Q. HOW IS THIS OPTION AGREEMENT BENEFICIAL TO THE CONTINUED**
2 **DEVELOPMENT OF THE PROJECT?**

3 **A.** As I stated above, Duke Energy Carolinas views the sale of this option to JEA as a very
4 positive development and strong step forward for Lee Nuclear Station. The Company has
5 been, and will continue to be, a strong supporter of the regional generation concept for
6 new nuclear development. We believe this is an excellent first step to bring in partners
7 and make regional generation a reality. The Company is pursuing partners to share in the
8 construction, project management, and operational risks of constructing Lee Nuclear
9 Station, and in turn, to share in the long-term benefits of the Project.

10 The Company believes that the option provides a mechanism for JEA to remain
11 engaged in the Project and increases its likelihood of participating in the Project after the
12 Company's receipt of the COL. In addition to the benefits of risk sharing, additional
13 partners on the Project will increase the financial flexibility the Company needs to meet
14 customer demands in the face of tremendous uncertainty relating to future environmental
15 constraints that will impact its current fleet. As less of the Company's capital will be tied
16 up in a single project, the Company will be better-positioned to respond effectively as the
17 evolving environmental requirements become more certain. For these reasons, Duke
18 Energy Carolinas firmly believes that bringing in partners on the Project is in the best
19 interest of our customers.

1 Q. DOES DUKE ENERGY CAROLINAS' EXECUTION OF THIS OPTION
2 AGREEMENT WITH JEA MEAN THAT THE COMPANY DOES NOT NEED
3 ALL OF THE CAPACITY FROM THE PROJECT IN 2021?

4 A. No. Duke Energy Carolinas' 2010 Integrated Resource Plan ("IRP") clearly
5 demonstrates that the future capacity and energy needs of the Company exceed the full
6 output of 100% of the Project. To the extent that the Company will receive less than
7 100% of the output of the Project due to JEA's exercise of its option, Duke Energy
8 Carolinas will seek to procure the capacity and energy necessary to meet its needs
9 through substitute resources at least cost to its customers, including possible participation
10 in other regional nuclear projects. As I have stated previously, Duke Energy Carolinas
11 believes that joint ownership and regional development of new nuclear facilities is the
12 best path forward to meet the needs of our customers for the future, and in this context
13 that means multiple owners in Lee and Duke's possible participation in other regional
14 nuclear projects.

15 Duke Energy Carolinas recognizes that new nuclear development represents a
16 significant investment that will impact customers and the Company. As such, the
17 Company believes that we must consider all opportunities that will yield potential
18 benefits for our customers and reduce the risks related to our investment in the Project.
19 However, I must clearly re-iterate that the Company is well-positioned to move forward
20 on this project independently and can support the need for its full capacity.

1 **Q. WILL DUKE ENERGY CAROLINAS CONTINUE TO PURSUE ADDITIONAL**
2 **PARTNERS TO PARTICIPATE IN THE PROJECT?**

3 **A.** Yes. As I described in my direct testimony, Duke Energy Carolinas continues to assess
4 opportunities for joint ownership or financial arrangements that could be beneficial to its
5 customers. This option agreement with JEA represents a sound and strong first step
6 towards achieving its regional nuclear generation plan whereby multiple companies in the
7 region will partner to share risk and smooth out the rate impact to customers resulting
8 from these capital-intensive projects. Duke Energy Carolinas will continue to update the
9 Commission if there are any additional developments regarding joint ownership decisions
10 for the Lee Nuclear Station.

11 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?**

12 **A.** Yes.